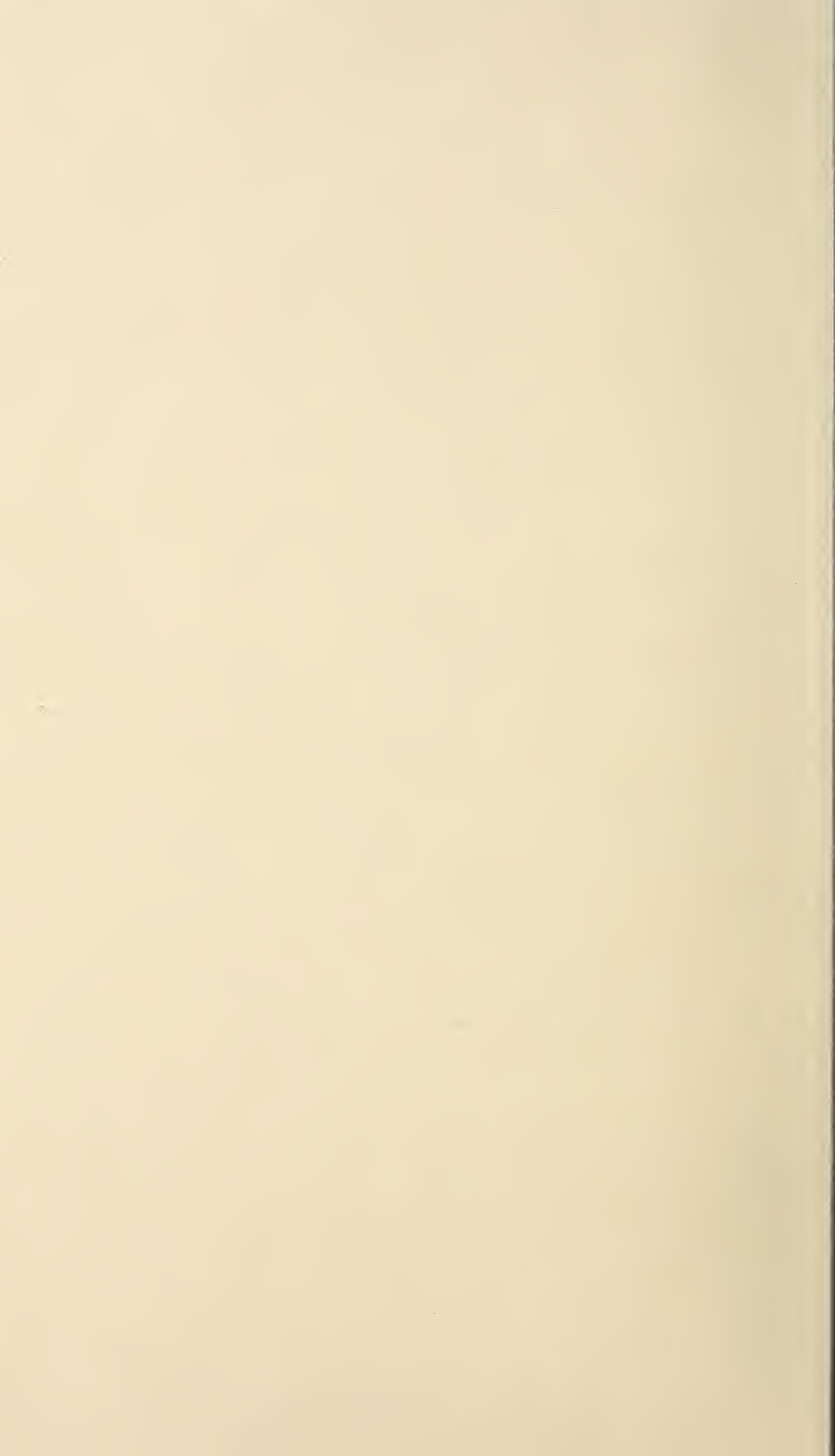


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Does Foreign Competition Hurt The American Farmer?

Prepared in the Division of Information

Highlights: Emergency imports, though small, are one sign that the farmer is getting the full benefit of the tariff. Only when the available domestic supply is reduced to a point where there is no domestic surplus do farm prices rise to the top of the tariff wall and allow an occasional spilling over of some imports.

Though the United States is temporarily on a domestic basis in the case of grains because of the drought, it is still on an export basis for major agricultural products.

Imports of oats, barley, and rye were relatively greater than imports of wheat and corn. Since no adjustment programs were in effect for these crops all of the reduction is attributable to the drought.

Corn imports from July 1, 1934, to the end of March 1935 were a little more than 1 percent of the estimated drought loss. Corn imports were less than exports for the calendar year 1934.

Our entire agricultural imports including grains were 25 percent less for the 8 months from July 1, 1934, to February 28, 1935, than the average imports for the same periods from 1924 to 1934.

Why Does the United States Import Agricultural Products?

THE UNITED STATES always has been one of the great bread and meat baskets of the world. Its agricultural industry has been on a broad export basis. When the morning paper tells of a boatload of corn from the Argentine landing in Baltimore, people naturally wonder why this should be true. The quantity may be trivial in relation to the amount of corn produced and consumed in this country. The event may have no permanent significance. But American producers and the public in general ask why it happened and what were the conditions which made the United States even temporarily an importer of grains.

As foreign imports only occur when domestic market prices are high enough to support them this usually is proof that the domestic producer is making a profit on what he has to sell.

Foreign competition at present is scarcely a noticeable factor in American agricultural markets, though some demand for certain foreign products has developed as a direct result of the drought. Agricultural imports on the whole are lower than the average for the past 10 years.

What Foreign Farm Products Are Needed?

The United States necessarily imports large quantities of such products as coffee, tea, bananas, silk, rubber, and other commodities which it does not produce itself. However, it also imports small amounts of the things it does produce. From 1930 through 1933 it imported annually an average of nearly 6 million dollars' worth of unmanufactured cotton, more than 15 million dollars' worth of grains and grain products, and nearly 5 million dollars' worth of meats. Why?

(1) Certain types of products, such as cotton of a particular staple, canned beef, certain types of sausages, are not specialized in by the United States, but are brought from abroad. (2) Certain areas in the United States, near the borders of other countries, are deficient in some commodities, and can pay the duty rate on them more easily than they can pay for long freight hauls in the United States. (3) Short yields in the United States, due to conditions beyond human control, create a temporary need for foreign products.

How Large Are Current Imports?

For the 9-month period from July 1, 1934, to March 31, 1935, competitive agricultural products, including grains, were about one-fourth less than the average imports for the same periods from 1924 to 1934. Imports of feed grains, however, were considerably larger than the average. But grain imports during this time were about seven-tenths of 1 percent of this country's average production and less than $2\frac{2}{10}$ percent of the loss to grain crops directly attributable to the drought.

Are World Markets Open to American Agriculture?

Even though the United States is temporarily on a domestic basis in the case of grains, it is on an export basis for the aggregate of its major agricultural products. During 1934, approximately 650 million dollars' worth of cotton, tobacco, meat products, grains, and fruits were exported as compared with importations of 125 million dollars' worth of these products, including 24 million dollars' worth of noncompetitive bananas.

Has the United States Imported Grains Before?

From time to time in past years the United States has imported small quantities of grains. In the years 1923-24, for example, be-

cause of conditions which caused domestic prices of grains to rise considerably above foreign prices, the United States imported 4 million bushels of corn, 7 million bushels of oats, and 13½ million bushels of wheat.

What Has Caused This Country to Buy Foreign Wheat?

The drought is estimated to have reduced the 1934 wheat crop by 300 million bushels, in addition to a reduction of about 60 million bushels brought about by the Agricultural Adjustment Administration wheat program. Imports of 11 million bushels of wheat during the 9 months through March partly made up this loss. The United States crop of durum wheat was damaged very badly by the drought, and was only one-sixth of normal. About half the wheat imports were durum for seed and for the manufacture of special types of flour, for which other types of wheat cannot be used.

Has the United States Any Need for Foreign Corn?

By February 1935 a little over half of our corn imports were coming from Argentina. Previous to then Mexico supplied most of these imports. Corn imports have been used to supplement short feed supplies on the seaboard of the United States. Such imports are possible only when the domestic price of corn is sufficiently above prices in Argentina or Mexico that ocean freight, insurance, and handling charges, plus the duty of 25 cents a bushel, plus such freight and handling charges as may be necessary within the borders of the United States, can be paid by foreign sellers and still leave them a profit. These conditions can be met only during a very abnormal situation.

Should Corn Imports Be Prevented?

Shipments of corn from Argentina and Mexico may be expected to arrive until such time as the grain and feed situation in the United States becomes easier. The coming in of pasture this spring was expected to diminish imports, and if weather is near normal this summer, the maturing of the corn crop in the fall should stop imports almost entirely.

Are Corn Imports Damaging to American Producers?

A good idea of the volume of corn imports for the period from July through March can be obtained by noting that the total of a little less than 10 million bushels amounts to less than four-tenths of 1 percent of this country's average annual corn production of 2½ billion bushels, and is not much greater than the production of a

good Iowa corn county—Calhoun County, for example—during a good year. Drought damage to the corn crop last year is estimated to have reduced the yield by approximately 1 billion bushels, in addition to a reduction of about 180 million bushels through the corn program. Thus corn imports through March were about 1 percent of the estimated drought loss. Exports of corn were greater than imports during the calendar year 1934.

What Nation Leads in Corn Production?

The Argentine corn crop is normally about 300 million bushels. This is less than one-eighth of the United States average annual production, and only about two-thirds of the normal production of the State of Iowa alone.

In What Way Does the United States Export Corn?

The United States ordinarily exports small amounts of corn as grain. However, it exports a much larger amount in the form of pork and lard. Taking into consideration shipments of pork and lard, the United States was a net exporter of corn in January 1935, to the extent of a million bushels. Roughly 3 million bushels of corn would have been consumed in the production for export during that month of 9½ million pounds of pork and 18 million pounds of lard. For the 3 months, January, February, and March, 1935, pork exports were 26⅓ million pounds and lard exports were 44 million pounds. It is estimated that 8½ million bushels of corn were used to produce these products. Largely because of the trade agreement, exports of lard to Cuba have increased substantially, 20⅔ million pounds having been exported since the agreement was effected early in September 1934.

Did the Drought Hurt Other Crops?

All of the reduction in the United States production of oats, barley, and rye is attributable to drought, since no adjustment programs were in effect for these crops. Imports of oats, barley, and rye were relatively greater than imports of wheat and corn. Oat imports were about 12 million bushels during the 9-month period, July 1934, through March 1935, or 1⅓ percent of the drought loss in this crop. Barley imports were 8 million bushels, or approximately 5 percent of the drought loss. Rye imports were 7½ million bushels, or about 33 percent of the 1934 reduction below the average rye crop. Part of the imports of barley and rye were due to increased demand in brewing and distilling industries.

Was There Need for Emergency Pasture Crops?

Severe drought loss to hay and pasture crops was partly offset by the planting of feed and forage crops on part of the 36 million con-

tracted acres that were shifted from the production of basic commodities in 1934. When drought conditions developed, these contracted acres were made available for the emergency production of any feed crop, including corn for fodder. In addition to this, the Adjustment Administration underwrote the harvesting of 75,000 tons of corn fodder and stover and 18,000 tons of soybean hay for forage. By reason of these emergency dispositions of available lands, imports of hay during the 9-month period were 62,000 short tons, the equivalent of approximately one-fourth of 1 percent of the loss due to drought, estimated at more than 23 million tons.

Does the Tariff Protect the American Farmer?

All agricultural imports have paid the usual duty rates, with the exception of hay, on which the duty was temporarily removed by proclamation of the President in September 1934, following the petition of stock farmers in the Northwest. Wheat for human consumption pays a duty of 42 cents per bushel, and wheat for feed one-tenth of its market value. Corn pays a duty of 25 cents a bushel; oats, 16 cents; barley, 20 cents; rye, 15 cents; and beef, 6 cents a pound.

Ordinarily these tariff duties do not operate to protect American farmers. Present imports, though small, show that farm prices have risen to the top of the tariff wall, and farmers are receiving the benefit of the tariff. The high prices which allow some imports to come in are also increasing the total returns to American farmers. Even with short crops, farm income is running higher than in recent years when farmers had large crops, but low prices.

Should Tariffs on Farm Products Be Raised Still Higher?

Still higher tariff duties would benefit farmers only if consumers were willing to pay still higher prices without reducing consumption. Even so, higher tariffs would be of benefit for only a short time during an abnormal period. And foreign countries might retaliate against higher tariffs, reducing what they buy from the United States, thus endangering further the export trade of American farmers.

When prices rise above a certain point, decline in consumption sets in. Consumption of butter, for example, during the first 4 months of 1935 was 86,000,000 pounds less than it was during the same period a year ago. This decline took place in spite of imports of 17½ million pounds, which came in over the 14-cent per pound duty. Domestic production of butter was 46,000,000 pounds less during the 4 months than it had been in 1934. But the decline in production was only about half as great as the decrease in consumption.

High prices of butter through the middle of May were continuing to bring in imports of butter from such butter-producing countries as New Zealand and Denmark. But as pasture feeding increased toward the latter part of May, butter prices began to decline. It was expected that imports of butter would decrease to a much lower rate with the approach of summer and with the seasonal increase in domestic production of butter.

IMPORTS OF GRAINS AND HAY SINCE JULY 1, 1934, COMPARED TO LOSSES
DUE TO DROUGHT

	Average pro- duction 1928-32	Drought loss 1934	Imports July 1934 through March 1935	Percentage imports of drought loss
Wheat (bushel)-----	861, 000, 000	299, 765, 000	¹ 10, 668, 000	3. 65
Corn (bushel)-----	2, 562, 000, 000	975, 555, 000	9, 824, 000	1. 06
Oats (bushel)-----	1, 218, 000, 000	688, 853, 000	11, 918, 000	1. 73
Barley (bushel)-----	283, 000, 000	164, 216, 000	8, 058, 000	4. 90
Rye (bushel)-----	39, 000, 000	22, 615, 000	7, 477, 000	33. 05
Hay (short ton)-----	80, 384, 000	23, 526, 000	62, 000	. 26

¹ Not including 8,086,000 bushels imported in bond for export.

What Happened to Surplus Supplies of Livestock?

Due to the fact that the 1934 drought forced great quantities of livestock on the market at low prices, the domestic consumption of meat last year was unusually large. This held down imports in 1934. Supplies of meat available for consumption will be lower and imports higher this year than last. Imports of live cattle, for example, began to increase in February, to help make up the drought loss of cattle last year. But the supply of meat available for consumption will be larger than if there had been no drought relief programs by the Agricultural Adjustment Administration, as these programs conserved for future use meat of animals which otherwise would have perished from the drought, and they also enabled farmers to retain on farms and ranches a larger number of breeding animals and other livestock of good quality. The latter was accomplished by making available a larger supply of feed during the period of acute feed shortage and through the prompt disposal of inferior animals.

Must the United States Import Meat?

While a large exporter of meat products, particularly pork and lard, the United States has been also an importer of certain amounts of meat products. These include specialty products of different types, and a considerable amount of canned beef from South American countries, particularly Uruguay and Argentina. Importation of fresh and frozen meats from South America is prohibited by United States' sanitary regulations. Importation of canned beef is due to

the fact that little beef is canned in the United States, while a considerable portion of Uruguay and Argentina beef is so prepared.

Imports of meats through February showed no increase over the average imports of recent years. Imports of beef during 1934 were 47½ million pounds, as compared with a yearly average for the preceding 10 years of 56½ million pounds. Since average production of beef in the United States is over 7 billion pounds, 1934 imports were equivalent to about 1½ percent of normal domestic production. Imports of beef in January and February 1935 were about 9 million pounds, or approximately equal to the average imports for these months during previous years. Imports of hog products for 1934 were 1½ million pounds, or less than two-thousandths of 1 percent of United States production for 1934, and less than three-hundredths of 1 percent of exports of pork products last year.

What Is the Long-Time Trend In Agricultural Imports?

Studies of the Bureau of Agricultural Economics indicate that the United States has been reducing its imports of agricultural products during recent years. This has been chiefly due to increases in the tariff. Duties on most agricultural products were raised considerably by the tariff of 1930.

In spite of the drought and short supplies of some products, imports of most agricultural products were less during the period from July 1934 through February 1935 than they had been for similar periods over the previous 10 years. Dairy foods imported were 39 percent of the 10-year average; eggs and egg products were 22 percent; fruits (omitting bananas) were 75 percent; vegetables 49 percent; vegetable oils 86 percent; wool 44 percent; and meats 83 percent. Sugar imports were slightly larger, being 105 percent of the 10-year average. Only feed-grain imports showed a substantial increase, being 286 percent of the small-volume average for the last 10 years.

Should Imports Be Prohibited?

Some American producers have argued that since the A. A. A. has effected control programs in the case of wheat, corn, and hogs, and other commodities, imports should be excluded entirely in order to secure every benefit to American producers.

Farmers should realize that they stand to lose much if they agree to high industrial tariffs which are real burdens on agriculture, in exchange for illusory farm tariffs. Consideration might be given to the use of quotas if necessary to prevent significant increases in imports of a commodity with which the A. A. A. is dealing. Some rea-

sons why tariffs of exclusion might not be of actual benefit to American producers may be set forth.

American Markets Not Disturbed

In the first place, the percentage of imports, as noted before, is so small as to have almost no effect on American prices. Moreover, as in the case of butter, decrease in domestic consumption during a period of high prices and low supplies has been relatively a larger factor than increased imports.

In the second place, exclusion of imports by embargo or other methods would be certain to result in retaliation on the part of foreign nations which in the end would harm rather than help American producers. American farmers in particular normally have a large stake in America's export trade, and this stake would be endangered for future years by restrictive tariff practices at the present time.

Third, there are certain agricultural products which the United States is in need of, either temporarily, or normally. For example, the extremely short crop of durum wheat last year which was only one-fifth of the usual domestic production, has required importation temporarily of this type of wheat. Exclusion would result in the definite lack of a commodity needed by American consumers. Producers would not gain from exclusion of needed commodities, but would only arouse consumer resentment.

Fourth, the imports which are being received are not really displacing products which American producers have for sale. They are supplementing drought shortages in American supplies.

Finally, it is to be observed that the authority to adjust tariffs or otherwise control foreign commerce lies with Congress. The power of prohibiting importation of agricultural products has not been granted the Agricultural Adjustment Administration. By the Reciprocal Tariff Act, the President was granted the power to raise or lower existing tariff rates by as much as 50 percent in connection with reciprocity agreements with foreign countries. He was not conceded the power, however, to prohibit importations absolutely. This power remains with Congress.

SUGGESTED REFERENCES

- G-26: "Agriculture's Interest in America's World Trade", Agricultural Adjustment Administration, Washington, D. C.
- G-36: "The Drought and Current Farm Imports", Agricultural Adjustment Administration, Washington, D. C.
- Discussion Statement No. 18: "Some Facts About Agricultural Exports", by Chester C. Davis, Agricultural Adjustment Administration, Washington, D. C.
- G-20: "Achieving a Balanced Agriculture", Agricultural Adjustment Administration, Washington, D. C.

The following revised or reprinted editions follow the original.

G-41 revised Dec. 1935.

